



Business at OECD Written Comments on the draft OECD Principles for Better Investment Incentive Policies

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General Comments

- *Business at OECD* (BIAC) welcomes the opportunity to comment on the draft *Principles for Better Investment Incentive Policies*.
- BIAC welcomes the direction taken by the revised document and, in particular, the move from the previously envisaged OECD Recommendation towards aspirational and non-prescriptive principles. This approach is appropriate given the rapidly evolving policy environment and the increasing use of investment incentives as part of broader industrial policy, competitiveness, resilience and economic security strategies.
- BIAC particularly supports the draft's emphasis on evidence-based policymaking, proportionality, transparency, predictability, competitive neutrality, policy coherence, monitoring and evaluation. We also welcome its recognition of the potential cross-border implications of investment incentives.
- At the same time, BIAC considers that the draft could be further strengthened by more systematically incorporating the **perspective and practical experience of investors**, including the importance of competitiveness, administrative simplicity, meaningful public-private consultation and legal certainty.

Specific Comments

- **1. Strengthen the investor perspective and minimize administrative complexity**

Relevant paragraphs: 18, 21, 30-32

Beyond their efficiency from the perspective of public authorities, incentive policies should also be **accessible, predictable and workable for investors**.

BIAC welcomes the recognition in paragraph 18 that administrative and compliance costs should be considered when assessing investment incentives. We also strongly support paragraphs 30-32 on transparency, predictable administration and institutional coordination.

However, these considerations should feature more systematically throughout the Principles.

Investment incentive regimes can involve multiple eligibility requirements, application processes, reporting obligations and responsible authorities at national and subnational levels. The OECD's own previous analysis shows that incentive regimes are often fragmented: countries use an average of five different legal instruments to govern their

incentive mix, while dedicated centralised information platforms were available in only 37% of surveyed OECD jurisdictions.¹

BIAC recommendation: the Principles should explicitly recognise **administrative simplicity and proportionate compliance requirements** as characteristics of good investment incentive policy. The draft should therefore clearly state that Governments should seek to:

- establish clear and accessible eligibility requirements;
 - streamline application and reporting processes;
 - avoid duplication across incentive programmes and government authorities;
 - ensure predictable decision-making timelines;
 - make greater use of interoperable digital systems and centralised information portals.
- **2. Give public-private consultation a more prominent role throughout the policy cycle**

Relevant paragraphs: 21, 22, 29, 32-35

Companies possess practical information that is essential for designing effective incentive policies, including information on investment determinants, supply-chain dependencies, technological feasibility, compliance costs and the interaction between different policy instruments.

This is already consistent with OECD practice. Previous OECD analysis found that **91% of surveyed OECD jurisdictions consulted stakeholders in designing investment incentives**, with chambers of commerce consulted in 85% and investors in 71%².

BIAC therefore welcomes the reference to stakeholder engagement in paragraph 21. However, engagement with business should be more explicitly integrated throughout the Principles.

BIAC recommendation: the Principles should encourage **structured public-private consultation throughout the policy cycle**: during conception, design, implementation, monitoring, evaluation and reform.

Clear mentions to this necessity should therefore be disseminated throughout the entire draft.

- **3. Give greater recognition to competitiveness and investment attractiveness**

Relevant paragraphs: 12, 17-20 and 23-25

BIAC supports the draft's emphasis on effectiveness, efficiency, additionality and the societal benefits generated by incentives.

At the same time, the Principles should more explicitly recognise that governments use

¹ [Investment incentives in the OECD: Key features and objectives: The Role of Incentives in Investment Promotion | OECD](#)

² Ibid.

investment incentives as part of broader strategies to **attract investment, improve productivity, support innovation and strengthen competitiveness**. Indeed, the draft itself identifies the growing role of incentives within industrial, development and competitiveness strategies.

BIAC recommendation: the framework should explicitly encourage policymakers to consider the effects of investment incentive policies on:

- investment attractiveness and investment retention;
- productivity;
- innovation and technological development;
- international competitiveness;
- the wider quality of the investment environment.

This would provide a more balanced assessment of both the potential costs and the economic rationale of incentive policies.

- **4. Apply pragmatically the concept of additionality**

Relevant paragraph: 23

BIAC agrees with the objective of maximising additionality and limiting windfall gains. Paragraph 23 rightly seeks to encourage incentives that generate investments or outcomes that would not otherwise occur.

However, determining the counterfactual investment decision is inherently difficult, particularly for internationally mobile investments.

An investment may have occurred without an incentive, but in another jurisdiction, at a different scale, at a later point in time, or using a different technology. Additionality should therefore not be assessed solely by asking whether an investment would have occurred at all.

BIAC recommendation: Paragraph 23 should recognise that assessments of additionality should be **proportionate and pragmatic**, and may encompass different dimensions, including:

- location additionality;
- scale additionality;
- timing additionality;
- technological additionality;
- qualitative improvements to an investment.

The Principles should avoid creating expectations for counterfactual analysis that cannot reasonably be demonstrated in practice.

- **5. Preserve investor and technology neutrality wherever possible**

Relevant paragraph: 25

BIAC strongly supports paragraph 25 and its emphasis on investor and technology neutrality.

Targeted incentives may be appropriate where there is a clearly articulated policy rationale. However, excessive differentiation between firms, technologies or business models can distort competition, increase complexity and adversely affect the efficient allocation of capital.

BIAC recommendation: BIAC supports retaining the current emphasis on neutrality and proportionality. Where governments depart from neutrality, such differentiation should be **clearly justified, targeted, transparent and proportionate to the identified policy objective**.

Particular attention should be given to maintaining a level playing field between domestic and foreign investors.

- **6. Strengthen consideration of cross-border effects and policy coherence & connect the Principles to the broader OECD work on industrial policy and economic security**

Relevant paragraphs: 19 and 22

BIAC strongly welcomes paragraph 19's recognition that investment incentives can affect investment patterns, competitive conditions, industrial strategies and public revenues beyond national borders.

This consideration has become increasingly important as investment incentives interact with a much broader range of economic policy instruments, including industrial subsidies, localisation requirements, export controls, investment screening mechanisms and other economic security measures.

The OECD's own evidence demonstrates the increasing importance of government support. Across 15 major manufacturing sectors, grants, tax concessions and below-market financing reached approximately USD 108 billion in 2024, while OECD analysis estimates that subsidies were associated with around 22% of market-share gains among expanding manufacturing firms.

Individual interventions may have a legitimate policy rationale. However, their cumulative effect across jurisdictions can generate fragmentation, increase costs and distort international investment decisions.

The draft also appropriately recognises the complementary relevance of the OECD Industrial Policy Handbook, QuIS and MAGIC database and the opportunity to strengthen coherence between investment policy, industrial policy and work on government support.

BIAC strongly supports this direction.

BIAC recommendation: The Principles should encourage governments to assess investment incentives within the **broader policy mix**, including their interaction with trade, industrial and economic security measures.

At the same time, BIAC recommends that future OECD work should examine investment incentives alongside the broader set of policy instruments increasingly used to pursue competitiveness, resilience and economic security objectives. Particular attention should be given to:

- cumulative effects on investment and global value chains;
- international competitive conditions;
- regulatory and administrative complexity;
- policy coherence across trade, investment and industrial policy;
- transparency and international comparability of government support;
- opportunities for greater international coordination.

The OECD has an important role to play in strengthening international transparency, benchmarking policies and identifying harmful cross-border spillovers or unnecessary policy fragmentation.

- **7. Preserve the voluntary and non-binding nature of the OECD MNE Guidelines**

Relevant paragraph: 28

BIAC has an important concern regarding paragraph 28.

The paragraph suggests that investment incentives may be used to advance Responsible Business Conduct, including by linking the granting, retention or renewal of benefits to compliance with applicable laws and recognised RBC standards.

BIAC strongly supports the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and their effective implementation. However, the OECD MNE Guidelines are a voluntary, non-binding instrument.

BIAC therefore considers that **application of the principles and recommendations contained in the MNE Guidelines should not constitute a legal condition for obtaining, retaining or renewing an investment incentive.**

Such an approach could blur the distinction between binding legal requirements and voluntary RBC recommendations, and risk transforming a non-binding OECD instrument into a de facto mandatory requirement through incentive conditionality.

BIAC recommendation: Paragraph 28 should clearly distinguish between:

- compliance with applicable legal requirements, which may legitimately constitute enforceable eligibility conditions; and
- expectations contained in voluntary and non-binding RBC instruments, including the OECD MNE Guidelines.

Any legally enforceable conditionality attached to investment incentives should have a **clear**

legal basis and be transparent, proportionate, predictable and directly relevant to the incentive concerned. The voluntary and non-binding nature of the MNE Guidelines should be explicitly preserved.

- **8. Preserve predictability when incentives are reformed or withdrawn**

Relevant paragraphs: 26, 29 and 36

BIAC strongly welcomes paragraph 36's recognition that companies may have made long-term investment decisions in reliance on existing incentive frameworks and that reform should therefore consider adjustment costs and legitimate reliance interests.

Governments must retain the ability to reform ineffective incentive policies. At the same time, abrupt or retrospective changes can undermine investor confidence and the broader predictability of the investment environment.

This is particularly important for capital-intensive investments with long investment horizons.

BIAC recommendation: BIAC strongly supports retaining and, where possible, strengthening references to:

- adequate advance notice;
- phased implementation;
- transitional arrangements;
- appropriate grandfathering arrangements;
- consultation with affected investors.